

TOWNSHIP OF PENTLAND
Luce County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Pentland	County Luce
Audit Date March 31, 2007	Opinion Date June 22, 2007	Date Accountant Report Submitted to State: June 25, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

- 1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
- 2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., PC			

TOWNSHIP OF PENTLAND
Luce County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Business-Type Funds:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Net Assets	11
Statement of Cash Flows	12
Notes to Financial Statements	13-20
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	21
Other Supporting Information:	
General Fund Expenditures by Detailed Account	22-23
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	24
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	25
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	26

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 22, 2007

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Pentland, Luce County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Pentland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Pentland, Luce County, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2007, on our consideration of the Township of Pentland's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF PENTLAND
Luce County, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Pentland covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$587,367.19 for governmental activities and \$1,978,698.13 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$461,016.34 (\$253,338.91 from governmental activities and \$207,677.43 from business-type activities). Governmental activities had a \$34,342.42 increase in net assets. Business-type activities had a decrease in net assets of \$14,755.93.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF PENTLAND
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, the Liquor Fund, the Water Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund and the Liquor Fund.

Business-Type Funds: The Township has a Water Fund and a Sewer Fund which include the activity of providing water and sewer to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant was fire protection which incurred expenses of \$65,942.60. The Water and Sewer Funds incurred \$77,157.65 in depreciation expense and \$145,275.71 in other expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$18,750.00 of principal on the water and sewer bonds payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow at a moderate rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 906-293-5857.

TOWNSHIP OF PENTLAND
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash in bank	276 481 95	95 189 43	371 671 38
Petty cash	100 00	-	100 00
Accounts receivable	-	6 328 85	6 328 85
Taxes receivable	<u>3 975 24</u>	<u>-</u>	<u>3 975 24</u>
Total current assets	<u>280 557 19</u>	<u>101 518 28</u>	<u>382 075 47</u>
Restricted assets:			
Cash in bank	<u>-</u>	<u>105 600 00</u>	<u>105 600 00</u>
Total restricted assets	<u>-</u>	<u>105 600 00</u>	<u>105 600 00</u>
Capital assets:			
Capital assets	60 200 00	3 857 882 00	3 918 082 00
Accumulated depreciation	<u>(50 200 00)</u>	<u>(1 042 313 15)</u>	<u>(1 092 513 15)</u>
Total capital assets	<u>10 000 00</u>	<u>2 815 568 85</u>	<u>2 825 568 85</u>
TOTAL ASSETS	<u>290 557 19</u>	<u>3 022 687 13</u>	<u>3 313 244 32</u>
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Internal balances	(296 810 00)	296 810 00	-
Accrued interest payable	-	679 00	679 00
Current portion of long-term debt	<u>-</u>	<u>18 750 00</u>	<u>18 750 00</u>
Total current liabilities	<u>(296 810 00)</u>	<u>316 239 00</u>	<u>19 429 00</u>
Long-term liabilities:			
Bonds payable	-	746 500 00	746 500 00
Less current portion	<u>-</u>	<u>(18 750 00)</u>	<u>(18 750 00)</u>
Total long-term liabilities	<u>-</u>	<u>727 750 00</u>	<u>727 750 00</u>
Net assets:			
Invested in capital assets, net of related debt	10 000 00	1 771 579 85	1 781 579 85
Restricted for debt service	-	105 600 00	105 600 00
Unrestricted	<u>577 367 19</u>	<u>101 518 28</u>	<u>678 885 47</u>
Total net assets	<u>587 367 19</u>	<u>1 978 698 13</u>	<u>2 566 065 32</u>
TOTAL LIABILITIES AND NET ASSETS	<u>290 557 19</u>	<u>3 022 687 13</u>	<u>3 313 244 32</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 680 15	-	(1 680 15)
General government	117 986 68	14 049 68	(103 937 00)
Public safety	70 339 50	-	(70 339 50)
Public works	10 232 27	-	(10 232 27)
Other	<u>18 757 89</u>	<u>-</u>	<u>(18 757 89)</u>
Total Governmental Activities	<u>218 996 49</u>	<u>14 049 68</u>	<u>(204 946 81)</u>
Business-Type Activities:			
Water and sewer	<u>222 433 36</u>	<u>201 156 37</u>	<u>-</u>
Total Business-Type Activities	<u>222 433 36</u>	<u>201 156 37</u>	<u>-</u>
Total Government	<u><u>441 429 85</u></u>	<u><u>215 206 05</u></u>	<u><u>(204 946 81)</u></u>
General Revenues:			
Property taxes			32 005 92
Other taxes			26 895 90
State revenue sharing			170 190 32
Interest			7 929 43
Miscellaneous			<u>2 267 66</u>
Total General Revenues			<u>239 289 23</u>
Change in net assets			34 342 42
Net assets, beginning of year			<u>553 024 77</u>
Net Assets, End of Year			<u><u>587 367 19</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(1 680 15)
-	(103 937 00)
-	(70 339 50)
-	(10 232 27)
<u>-</u>	<u>(18 757 89)</u>
<u>-</u>	<u>(204 946 81)</u>
<u>(21 276 99)</u>	<u>(21 276 99)</u>
<u>(21 276 99)</u>	<u>(21 276 99)</u>
<u>(21 276 99)</u>	<u>(226 223 80)</u>
-	32 005 92
-	26 895 90
-	170 190 32
6 521 06	14 450 49
<u>-</u>	<u>2 267 66</u>
<u>6 521 06</u>	<u>245 810 29</u>
(14 755 93)	19 586 49
<u>1 993 454 06</u>	<u>2 546 478 83</u>
<u>1 978 698 13</u>	<u>2 566 065 32</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	273 548 02	2 352 90	275 900 92
Petty cash	100 00	-	100 00
Taxes receivable	3 975 24	-	3 975 24
Due from other funds	<u>297 391 03</u>	<u>-</u>	<u>297 391 03</u>
Total Assets	<u><u>575 014 29</u></u>	<u><u>2 352 90</u></u>	<u><u>577 367 19</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>575 014 29</u>	<u>2 352 90</u>	<u>577 367 19</u>
Total fund equity	<u><u>575 014 29</u></u>	<u><u>2 352 90</u></u>	<u><u>577 367 19</u></u>
Total Liabilities and Fund Equity	<u><u>575 014 29</u></u>	<u><u>2 352 90</u></u>	<u><u>577 367 19</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	577 367 19
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	60 200 00
Accumulated depreciation	<u>(50 200 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>587 367 19</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2007

	<u>General</u>	<u>Other Funds</u>	<u>Total</u>
Revenues:			
Property taxes	32 005 92	-	32 005 92
Other taxes	26 895 90	-	26 895 90
State revenue sharing	167 837 42	2 352 90	170 190 32
Charges for services:			
Property tax administration	12 671 53	-	12 671 53
Interest	7 929 43	-	7 929 43
Rents	1 378 15	-	1 378 15
Miscellaneous	<u>2 267 66</u>	<u>-</u>	<u>2 267 66</u>
Total revenues	<u>250 986 01</u>	<u>2 352 90</u>	<u>253 338 91</u>
Expenditures:			
Legislative:			
Township Board	1 680 15	-	1 680 15
General government:			
Supervisor	11 164 76	-	11 164 76
Elections	2 217 26	-	2 217 26
Assessor	18 194 14	-	18 194 14
Clerk	9 923 99	-	9 923 99
Board of Review	848 92	-	848 92
Treasurer	10 499 22	-	10 499 22
Building and grounds	23 188 77	-	23 188 77
Unallocated	41 949 62	-	41 949 62
Public safety:			
Law enforcement	2 000 00	2 396 90	4 396 90
Fire protection	65 942 60	-	65 942 60
Public works:			
Highways and streets	5 390 00	-	5 390 00
Street lighting	4 842 27	-	4 842 27
Other functions:			
Insurance	<u>18 757 89</u>	<u>-</u>	<u>18 757 89</u>
Total expenditures	<u>216 599 59</u>	<u>2 396 90</u>	<u>218 996 49</u>
Excess (deficiency) of revenues over expenditures	34 386 42	(44 00)	34 342 42
Fund balances, April 1	<u>540 627 87</u>	<u>2 396 90</u>	<u>543 024 77</u>
Fund Balances, March 31	<u><u>575 014 29</u></u>	<u><u>2 352 90</u></u>	<u><u>577 367 19</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	34 342 42
---	-----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	-
Capital Outlay	-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>34 342 42</u>
---	------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2007 and 2006

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
<u>Assets</u>				
Current assets:				
Cash in bank	46 692 85	40 422 07	48 496 58	46 604 75
Accounts receivable	<u>5 128 60</u>	<u>5 629 63</u>	<u>1 200 25</u>	<u>1 160 11</u>
Total current assets	<u>51 821 45</u>	<u>46 051 70</u>	<u>49 696 83</u>	<u>47 764 86</u>
Restricted assets:				
Cash in bank	<u>-</u>	<u>-</u>	<u>105 600 00</u>	<u>85 650 00</u>
Total restricted assets	<u>-</u>	<u>-</u>	<u>105 600 00</u>	<u>85 650 00</u>
Fixed assets:				
Sewer system	963 624 00	963 624 00	-	-
Water system	-	-	2 894 258 00	2 894 258 00
Accumulated depreciation	<u>(483 907 63)</u>	<u>(464 635 14)</u>	<u>(558 405 52)</u>	<u>(500 520 36)</u>
Net fixed assets	<u>479 716 37</u>	<u>498 988 86</u>	<u>2 335 852 48</u>	<u>2 393 737 64</u>
Total Assets	<u>531 537 82</u>	<u>545 040 56</u>	<u>2 491 149 31</u>	<u>2 527 152 50</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Due to other funds	218 000 00	226 000 00	78 810 00	86 810 00
Accrued interest payable	679 00	679 00	-	-
Current portion of long-term debt	<u>7 750 00</u>	<u>7 500 00</u>	<u>11 000 00</u>	<u>11 000 00</u>
Total current liabilities	<u>226 429 00</u>	<u>234 179 00</u>	<u>89 810 00</u>	<u>97 810 00</u>
Long-term liabilities:				
Bonds payable	70 500 00	78 250 00	676 000 00	687 000 00
Less current portion	<u>(7 750 00)</u>	<u>(7 500 00)</u>	<u>(11 000 00)</u>	<u>(11 000 00)</u>
Total long-term liabilities	<u>62 750 00</u>	<u>70 750 00</u>	<u>665 000 00</u>	<u>676 000 00</u>
Net assets:				
Invested in capital assets, net of related debt	190 537 37	194 738 86	1 581 042 48	1 619 927 64
Restricted for debt service	-	-	105 600 00	85 650 00
Unrestricted	<u>51 821 45</u>	<u>45 372 70</u>	<u>49 696 83</u>	<u>47 764 86</u>
Total net assets	<u>242 358 82</u>	<u>240 111 56</u>	<u>1 736 339 31</u>	<u>1 753 342 50</u>
Total Liabilities and Net Assets	<u>531 537 82</u>	<u>545 040 56</u>	<u>2 491 149 31</u>	<u>2 527 152 50</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/06</u>
95 189 43	87 026 82
<u>6 328 85</u>	<u>6 789 74</u>
<u>101 518 28</u>	<u>93 816 56</u>
105 600 00	85 650 00
<u>105 600 00</u>	<u>85 650 00</u>
963 624 00	963 624 00
2 894 258 00	2 894 258 00
<u>(1 042 313 15)</u>	<u>(965 155 50)</u>
<u>2 815 568 85</u>	<u>2 892 726 50</u>
<u>3 022 687 13</u>	<u>3 072 193 06</u>
296 810 00	312 810 00
679 00	679 00
<u>18 750 00</u>	<u>18 500 00</u>
<u>316 239 00</u>	<u>331 989 00</u>
746 500 00	765 250 00
<u>(18 750 00)</u>	<u>(18 500 00)</u>
<u>727 750 00</u>	<u>746 750 00</u>
1 771 579 85	1 814 666 50
105 600 00	85 650 00
<u>101 518 28</u>	<u>93 137 56</u>
<u>1 978 698 13</u>	<u>1 993 454 06</u>
<u>3 022 687 13</u>	<u>3 072 193 06</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2007 and 2006

	Sewer Fund		Water Fund	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Operating revenues:				
Charges for services	<u>81 624 33</u>	<u>71 712 61</u>	<u>119 532 04</u>	<u>120 490 69</u>
Total operating revenues	<u>81 624 33</u>	<u>71 712 61</u>	<u>119 532 04</u>	<u>120 490 69</u>
Operating expenses:				
Wages	22 431 80	21 826 24	24 376 52	23 714 32
Benefits	1 716 05	1 754 30	2 061 51	1 895 47
Supplies	491 67	516 93	2 378 19	2 489 27
Utilities	4 393 33	3 865 96	8 521 89	7 939 19
Repairs and maintenance	163 62	4 494 35	4 884 37	1 714 84
Insurance	235 00	200 00	455 00	420 00
Treatment costs	28 957 97	27 675 52	1 892 03	1 344 37
Miscellaneous	<u>216 60</u>	<u>618 50</u>	<u>7 520 16</u>	<u>2 656 75</u>
Total operating expenses before depreciation	<u>58 606 04</u>	<u>60 951 80</u>	<u>52 089 67</u>	<u>42 174 21</u>
Operating income (loss) before depreciation	23 018 29	10 760 81	67 442 37	78 316 48
Less: depreciation	<u>(19 272 49)</u>	<u>(19 272 49)</u>	<u>(57 885 16)</u>	<u>(57 885 16)</u>
Operating income (loss)	<u>3 745 80</u>	<u>8 511 68</u>	<u>9 557 21</u>	<u>20 431 32</u>
Non-operating income and (expense):				
Interest income	2 413 96	1 543 32	4 107 10	1 777 32
Interest expense	<u>(3 912 50)</u>	<u>(4 287 50)</u>	<u>(30 667 50)</u>	<u>(31 162 50)</u>
Net non-operating income and (expense)	<u>(1 498 54)</u>	<u>(2 744 18)</u>	<u>(26 560 40)</u>	<u>(29 385 18)</u>
Change in net assets	2 247 26	(11 255 86)	(17 003 19)	(8 953 86)
Net assets, April 1	<u>240 111 56</u>	<u>251 367 42</u>	<u>1 753 342 50</u>	<u>1 762 296 36</u>
Net Assets, March 31	<u>242 358 82</u>	<u>240 111 56</u>	<u>1 736 339 31</u>	<u>1 753 342 50</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/06</u>
<u>201 156 37</u>	<u>192 203 30</u>
<u>201 156 37</u>	<u>192 203 30</u>
46 808 32	45 540 56
3 777 56	3 649 77
2 869 86	3 006 20
12 915 22	11 805 15
5 047 99	6 209 19
690 00	620 00
30 850 00	29 019 89
<u>7 736 76</u>	<u>3 275 25</u>
<u>110 695 71</u>	<u>103 126 01</u>
90 460 66	89 077 29
<u>(77 157 65)</u>	<u>(77 157 65)</u>
<u>13 303 01</u>	<u>11 919 64</u>
6 521 06	3 320 64
<u>(34 850 00)</u>	<u>(35 450 00)</u>
<u>(28 580 94)</u>	<u>(32 129 36)</u>
(14 755 93)	(20 209 72)
<u>1 993 454 06</u>	<u>2 013 663 78</u>
<u>1 978 698 13</u>	<u>1 993 454 06</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

STATEMENT OF CASH FLOWS
BUSINESS-TYPE FUNDS
Year ended March 31, 2007 and 2006

	<u>Sewer Fund</u>		<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/06</u>	<u>3/31/07</u>	<u>3/31/06</u>
Cash flows from operating activities:				
Cash received from customers	82 125 36	90 650 20	119 491 90	122 069 52
Cash payments to suppliers for goods and services	(36 174 24)	(39 125 56)	(27 713 15)	(20 347 95)
Cash payments to employees for services	(22 431 80)	(21 826 24)	(24 376 52)	(23 714 32)
Net cash provided (used) for operating activities	<u>23 519 32</u>	<u>29 698 40</u>	<u>67 402 23</u>	<u>78 007 25</u>
Cash flows from non-capital and related financing activities:				
Increase (decrease) in amounts due to other funds	(8 000 00)	(21 837 27)	(8 000 00)	(2 000 00)
Net cash provided (used) for non-capital and related financing activities	<u>(8 000 00)</u>	<u>(21 837 27)</u>	<u>(8 000 00)</u>	<u>(2 000 00)</u>
Cash flows from capital and related financing activities:				
Principal paid on revenue bond maturities	(7 750 00)	(7 500 00)	(11 000 00)	(11 000 00)
Interest paid on revenue bonds and equipment contracts	(3 912 50)	(4 287 50)	(30 667 50)	(31 162 50)
Net cash provided (used) for capital and related financing activities	<u>(11 662 50)</u>	<u>(11 787 50)</u>	<u>(41 667 50)</u>	<u>(42 162 50)</u>
Cash flows from investing activities:				
Interest income	<u>2 413 96</u>	<u>1 543 32</u>	<u>4 107 10</u>	<u>1 777 32</u>
Net cash provided (used) for investing activities	<u>2 413 96</u>	<u>1 543 32</u>	<u>4 107 10</u>	<u>1 777 32</u>
Net increase (decrease) in cash and cash equivalents	6 270 78	(2 383 05)	21 841 83	35 622 07
Cash and cash equivalents, April 1	<u>40 422 07</u>	<u>2 805 12</u>	<u>132 254 75</u>	<u>96 632 68</u>
Cash and Cash Equivalents, March 31	<u>46 692 85</u>	<u>40 422 07</u>	<u>154 096 58</u>	<u>132 254 75</u>
Reconciliation of operating to net cash provided (used) for operating activities:				
Operating income (loss)	3 745 80	(8 511 68)	9 557 21	20 431 32
Depreciation	19 272 49	19 272 49	57 885 16	57 885 16
Increase (decrease) in assets and liabilities	<u>501 03</u>	<u>18 937 59</u>	<u>(40 14)</u>	<u>(309 23)</u>
Net Cash Provided (Used) for Operating Activities	<u>23 519 32</u>	<u>29 698 40</u>	<u>67 402 23</u>	<u>78 007 25</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>3/31/07</u>	<u>3/31/06</u>
201 617 26	212 719 72
(63 887 39)	(59 473 51)
<u>(46 808 32)</u>	<u>(45 540 56)</u>
<u>90 921 55</u>	<u>107 705 65</u>
<u>(16 000 00)</u>	<u>(23 837 27)</u>
<u>(16 000 00)</u>	<u>(23 837 27)</u>
(18 750 00)	(18 500 00)
<u>(34 580 00)</u>	<u>(35 450 00)</u>
<u>(53 330 00)</u>	<u>(53 950 00)</u>
<u>6 521 06</u>	<u>3 320 64</u>
<u>6 521 06</u>	<u>3 320 64</u>
28 112 61	33 239 02
<u>172 676 82</u>	<u>139 437 80</u>
<u>200 789 43</u>	<u>172 676 82</u>
13 303 01	11 919 64
77 157 65	77 157 65
<u>460 89</u>	<u>18 628 36</u>
<u>90 921 55</u>	<u>107 705 65</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Pentland, Luce County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Pentland. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

TOWNSHIP OF PENTLAND
Luce County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expense when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2006 tax roll millage rate was .9410 mills, and the taxable value was \$34,011,928.00.

TOWNSHIP OF PENTLAND
Luce County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	10 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 2 – Budgets and Budgetary Accounting

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>477,271.38</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	261,693.59
Uninsured and Uncollateralized	<u>384,225.81</u>
Total Deposits	<u>645,919.40</u>

The Township of Pentland did not have any investments as of March 31, 2007.

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	218 000 00	Sewer	218 000 00
General	<u>78 810 00</u>	Water	<u>78 810 00</u>
Total	<u><u>296 810 00</u></u>	Total	<u><u>296 810 00</u></u>

Note 5 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	10 000 00	-	-	10 000 00
Buildings	40 000 00	-	-	40 000 00
Equipment	<u>10 200 00</u>	<u>-</u>	<u>-</u>	<u>10 200 00</u>
Total	60 200 00	-	-	60 200 00
Accumulated Depreciation	<u>(50 200 00)</u>	<u>-</u>	<u>-</u>	<u>(50 200 00)</u>
Net Governmental Capital Assets	<u><u>10 000 00</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>10 000 00</u></u>
<u>Business-Type Activities:</u>				
Water and Sewer System	3 857 882 00	-	-	3 857 882 00
Accumulated Depreciation	<u>(965 155 50)</u>	<u>(77 157 65)</u>	<u>-</u>	<u>(1 042 313 15)</u>
Net Business-Type Capital Assets	<u><u>2 892 726 50</u></u>	<u><u>(77 157 65)</u></u>	<u><u>-</u></u>	<u><u>2 815 568 85</u></u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 6 – Sewer Revenue Bonds Payable

		<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>
Luce County D.P.W. Obligation Payable		8/1/76	201 250	5%
<u>Payable Fiscal Year Ended March 31</u>	<u>September 1 Interest</u>	<u>March 1 Principal</u>	<u>March 1 Interest</u>	<u>Total</u>
2008	1 762 50	7 750 00	1 762 50	11 275 00
2009	1 568 75	7 750 00	1 568 75	10 887 50
2010	1 375 00	7 750 00	1 375 00	10 500 00
2011	1 181 25	7 750 00	1 181 25	10 112 50
2012	987 50	7 750 00	987 50	9 725 00
2013	793 75	7 750 00	793 75	9 337 50
2014	600 00	8 000 00	600 00	9 200 00
2015	400 00	8 000 00	400 00	8 800 00
2016	<u>200 00</u>	<u>8 000 00</u>	<u>200 00</u>	<u>8 400 00</u>
Totals	<u>8 868 75</u>	<u>70 500 00</u>	<u>8 868 75</u>	<u>88 237 50</u>

Note 7 – Water Revenue Bonds Payable

<u>Due Date July 1</u>	<u>Series 1997A Principal</u>	<u>Series 1997B Principal</u>
2007	10 000 00	1 000 00
2008	10 000 00	1 000 00
2009	10 000 00	1 000 00
2010	10 000 00	1 000 00
2011	10 000 00	1 000 00
2012	10 000 00	1 000 00
2013	10 000 00	1 000 00
2014	15 000 00	1 000 00
2015	15 000 00	1 000 00
2016	15 000 00	1 000 00
2017	15 000 00	1 000 00
2018	15 000 00	1 000 00
2019	15 000 00	1 000 00
2020	15 000 00	1 000 00
2021	20 000 00	1 500 00
2022	20 000 00	1 500 00
2023	20 000 00	1 500 00
2024	20 000 00	1 500 00
2025	20 000 00	1 500 00
2026	25 000 00	1 500 00
2027	25 000 00	1 500 00
2028	25 000 00	1 500 00
2029	25 000 00	1 500 00

TOWNSHIP OF PENTLAND
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 7 – Water Revenue Bonds Payable (continued)

<u>Due Date</u> <u>July 1</u>	<u>Series 1997A</u> <u>Principal</u>	<u>Series 1997B</u> <u>Principal</u>
2030	30 000 00	1 500 00
2031	30 000 00	1 500 00
2032	30 000 00	1 500 00
2033	30 000 00	1 500 00
2034	35 000 00	1 500 00
2035	35 000 00	2 000 00
2036	35 000 00	2 000 00
2037	35 000 00	2 000 00
Totals	<u>635 000 00</u>	<u>41 000 00</u>

The Water Fund revenue bonds require the establishment of a bond reserve account and a capital reserve account. As of March 31, 2007, the reserve accounts are as follows:

<u>Account</u>	<u>Required</u> <u>Reserve</u>	<u>Actual</u> <u>Reserve</u>	<u>Difference</u>
Bond Reserve	39 425 00	39 425 00	-
Capital Reserve	150 100 00	66 175 00	83 925 00

The Township of Pentland maintains that expenditures for capital items accounts for the difference in the capital reserve.

Note 8 – Deferred Compensation Plan

The Township of Pentland offers its employees two deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets may not be diverted to any other use. The administrators, Prudential and Nationwide Retirement Systems are agents of the Township of Pentland for the purposes of providing direction to the investment of the funds held in the account. The deferred compensation plan balances and activities are not reflected in the Township of Pentland's financial statements.

Note 9 – Pension Plan

The Township does not have a pension plan.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF PENTLAND
Luce County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 11 – Segment Information for Enterprise Funds

The Township maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2007, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	81 624 33	119 532 04
Depreciation expense	19 272 49	57 885 16
Change in net assets	2 247 26	(17 003 19)
Operating income (loss)	3 745 80	9 557 21
Bonds payable	70 500 00	676 000 00
Net working capital	(174 607 55)	(40 113 17)
Net assets	242 358 82	1 736 339 31

Note 12 – Building Permits

The Township of Pentland does not issue building permits. Building permits are issued by the County of Luce.

TOWNSHIP OF PENTLAND
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	33 000 00	33 000 00	32 005 92	(994 08)
Other taxes	26 236 00	26 236 00	26 895 90	659 90
State revenue sharing	168 000 00	168 000 00	167 837 42	(162 58)
Charges for services:				
Property tax administration	10 000 00	10 000 00	12 671 53	2 671 53
Interest	3 000 00	3 000 00	7 929 43	4 929 43
Rents	1 500 00	1 500 00	1 378 15	(121 85)
Miscellaneous	<u>2 000 00</u>	<u>2 000 00</u>	<u>2 267 66</u>	<u>267 66</u>
Total revenues	<u>243 736 00</u>	<u>243 736 00</u>	<u>250 986 01</u>	<u>7 250 01</u>
Expenditures:				
Legislative:				
Township Board	2 250 00	2 250 00	1 680 15	(569 85)
General government:				
Supervisor	11 450 00	11 450 00	11 164 76	(285 24)
Elections	3 000 00	3 000 00	2 217 26	(782 74)
Assessor	17 500 00	18 200 00	18 194 14	(5 86)
Clerk	10 370 00	10 370 00	9 923 99	(446 01)
Board of Review	900 00	900 00	848 92	(51 08)
Treasurer	11 520 00	11 520 00	10 499 22	(1 020 78)
Building and grounds	27 600 00	27 600 00	23 188 77	(4 411 23)
Unallocated	49 570 00	50 580 00	41 949 62	(8 630 38)
Public safety:				
Law enforcement	2 500 00	2 500 00	2 000 00	(500 00)
Fire protection	73 600 00	73 600 00	65 942 60	(7 657 40)
Public works:				
Highways and streets	5 000 00	5 390 00	5 390 00	-
Street lighting	5 500 00	5 500 00	4 842 27	(657 73)
Culture and recreation:				
Recreation	400 00	400 00	-	(400 00)
Other functions:				
Insurance	21 500 00	19 400 00	18 757 89	(642 11)
Contingency	<u>1 076 00</u>	<u>1 076 00</u>	<u>-</u>	<u>(1 076 00)</u>
Total expenditures	<u>243 736 00</u>	<u>243 736 00</u>	<u>216 599 59</u>	<u>(27 136 41)</u>
Excess of revenues over expenditures	-	-	34 386 42	34 386 42
Fund balance, April 1	<u>523 080 00</u>	<u>523 080 00</u>	<u>540 627 87</u>	<u>17 547 87</u>
Fund Balance, March 31	<u>523 080 00</u>	<u>523 080 00</u>	<u>575 014 29</u>	<u>51 934 29</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Wages	1 680 15
Supervisor:	
Salary	11 046 36
Travel	118 40
	<u>11 164 76</u>
Elections:	
Wages	1 416 00
Supplies	675 29
Miscellaneous	125 97
	<u>2 217 26</u>
Assessor:	
Wages	11 046 36
Education and training	375 00
Manatron – tax roll	4 004 47
Postage and supplies	2 587 26
Travel	181 05
	<u>18 194 14</u>
Clerk:	
Salary	9 015 84
Supplies	303 45
Printing and publishing	604 70
	<u>9 923 99</u>
Board of Review:	
Wages	657 45
Miscellaneous	191 47
	<u>848 92</u>
Treasurer:	
Salary	7 597 80
Salary – deputy	2 268 00
Supplies	633 42
	<u>10 499 22</u>
Building and grounds:	
Wages	9 421 44
Supplies	674 18
Snow removal	1 149 58
Utilities	1 747 49
Fuel oil	2 666 92
Repairs and maintenance	3 276 69
Miscellaneous	4 252 47
	<u>23 188 77</u>
Unallocated:	
Audit	3 500 00
Legal fees	503 40
Administrative deputy	27 808 48
Payroll taxes	6 281 54
Dues	796 72
Miscellaneous	3 059 48
	<u>41 949 62</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Law enforcement	<u>2 000 00</u>
Fire protection:	
Contracted services	26 342 60
Hydrant rental	<u>39 600 00</u>
	<u>65 942 60</u>
Highways and streets:	
Maintenance	<u>5 390 00</u>
Street lighting	<u>4 842 27</u>
Insurance	<u>18 757 89</u>
Total Expenditures	<u><u>216 599 59</u></u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>776 859 98</u>	<u>776 278 95</u>	<u>581 03</u>
<u>Liabilities</u>				
Due to other funds	-	41 448 31	40 867 28	581 03
Due to other units	<u>-</u>	<u>735 411 67</u>	<u>735 411 67</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>776 859 98</u>	<u>776 278 95</u>	<u>581 03</u>

TOWNSHIP OF PENTLAND
Luce County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2007

Cash in bank – beginning of year	<u>-</u>
Cash receipts:	
Property taxes	776 085 80
Interest	<u>774 18</u>
Total cash receipts	<u>776 859 98</u>
Total beginning balance and cash receipts	<u>776 859 98</u>
Cash disbursements:	
Township General Fund	40 867 28
Luce County	446 187 59
Eastern U.P. Intermediate School District	29 681 76
Tahquamenon Area Schools	259 078 52
Refunds	<u>463 80</u>
Total cash disbursements	<u>776 278 95</u>
Cash in Bank – End of Year	<u>581 03</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 22, 2007

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the financial statements of the Township of Pentland, Luce County Michigan, as of and for the year ended March 31, 2007, and have issued our report thereon dated June 22, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.


Compliance

As part of obtaining reasonable assurance about whether Township of Pentland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Township of Pentland's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Township there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 22, 2007

To the Township Board
Township of Pentland
Luce County, Michigan

We have audited the financial statements of the Township of Pentland for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Pentland in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Pentland
Luce County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.


We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants